



State of New York  
Franchise Oversight Board  
State Capitol  
Room 119  
Albany, NY 12224

June 21, 2011

Mr. Charles Hayward  
President/CEO  
New York Racing Association, Inc.  
110-00 Rockaway Boulevard  
Ozone Park, New York 11417

Dear Mr. Hayward:

The Franchise Oversight Board (FOB) is charged by law with monitoring and reviewing the budget and operations of the New York Racing Association (NYRA). Our oversight ability depends on your willingness to be forthright with information. Of course, this includes access to documents and information as required by statute, but also should entail an open dialog, consistent with the goal of transparency that Governor Cuomo has made a hallmark of his administration.

Unfortunately, there remain significant and unacceptable gaps in our ability to analyze the NYRA budget. Specifically, state law grants the FOB the authority to review management and employee compensation plans, but your budget provides no detail on the compensation of senior management. However, it has been widely reported that raises have been granted to NYRA senior executives, as well as other employees. In fact, wage compensation at NYRA is projected to increase by more than 5 percent in total. Given current fiscal realities, and with NYRA projecting an \$11 million deficit, the Board believes that your actions in this area warrant justification.

As emphasized by the Board at today's meeting, in the future we expect that NYRA's proposed budget will be shared with the FOB prior to its official adoption by the NYRA Board. In this way, the FOB can provide comments and insight that could be beneficial to the NYRA Board as they deliberate the Association's annual budget.

I continue to have substantial concerns about NYRA's ability to bring racing operations into the black. Your budget assumes that overall handle on NYRA races will drop by 1.4 percent, while total operating expenses will increase by 7.9 percent. Even with VLT revenue beginning to flow, it is not clear after extrapolating current trends that racing operations are sustainable without significant restructuring. As Chairman of the Oversight Board, I am asking that NYRA submit a plan to bring racing operations into long-term solvency.

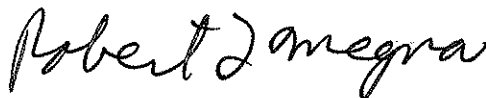
I am asking for your immediate cooperation with the Franchise Oversight Board on these matters and any others related to your budget. Continued lack of cooperation will be treated with the utmost seriousness. I remind you that under Section 212.8.a(ii) of the Racing Law, the Board has the authority to recommend termination of the franchise agreement upon a finding of a material breach, or repeated non-material breach of performance standards under the franchise. There is little doubt that continued failure to comply with Board requests would amount to such a breach.

In addition, the Board is authorized by Section 212.8(xiv) to "examine or cause to be examined by a third party, the books, papers, records and accounts of the franchised corporation." To that end, I am forwarding this letter to the Inspector General for appropriate examination of NYRA's operations.

Finally, Mr. Hayward, I would like to express my disappointment that you chose to not attend today's meeting. This meeting was rescheduled at your request to accommodate the NYRA racing calendar, and my colleagues on the Board rearranged their personal schedules. Being the body that is statutorily authorized to oversee your organization's operations, we trust that in the future you will make yourself available for our questions.

It is imperative that NYRA partner with the State to usher in a new era of openness that regains the public trust in a vital racing institution.

Very truly yours,

A handwritten signature in black ink, reading "Robert L. Megna". The signature is fluid and cursive, with the first name "Robert" and last name "Megna" clearly legible.

Robert L. Megna  
Chair

cc: Ellen N. Biben  
Gordon Medenica  
John Crotty  
Richard Aurelio  
Steven Newman